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Attachment B

I/MS's Contribution to [REDACTED] Evaluation

REFERENCE: (a) Chief, St/I Memo dated 28 October 1958 S.
(b) Army, 500 MIG. Doc Nr 95339 (PB), CIA 606848. S/NOPORI.
(c) Air, 6004 AHE. IR 3235, 22 September 1958 S.
(d) Ibid., IR 3245-58, 25 September 1958. S.
(e) Ibid. ED-C-1867, 5 May 1958 C.
(f) CIA, OIR. Intelligence Information Requirement ED-C-1979, 29 September 1958 C.

1. Reference (a) informed addressees of changes in U.S. Army policy affecting the exploitation of interrogation reports furnished [REDACTED] intelligence and requested evaluation of the impact of such changes on the needs of OIR branches.

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2. Since the issuance of reference (a) it has been learned that, in addition to Army exploitation of the translated reports, the Air Force, through its 6004th Air Intelligence Service Squadron, also exploits this material. Of necessity, therefore, this evaluation cannot confine itself to the effects of changes in Army policy alone, but must consider the intelligence product of the joint Army-Air Force effort.

3. The most useful product of the Army effort before the change in April 1958 was the full or partial translation of the [REDACTED] Reference (b) is an example of a partial translation pertaining to an electrical machinery plant. Abstracts from such translations have emphasized information of primary importance to the military and such economic information as was included was very superficial and poorly organized. For this reason Army reports never made a notable contribution to our plant files. Since April 1958, when the Army limited their coverage to strictly military information, Army reports have been of no value whatever.

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4. The effects of this change have been somewhat mitigated by the reporting of the 600th AISE. References (c) and (d) are examples of recent reports on machine-building plants generated by this unit. This unit holds reference (e), our requirement on trends in the engineering industry of Communist China. This requirement asks fairly specific questions about individual plants, and has elicited useful replies. However, it should be pointed out that, whereas Air Force reporting is very helpful on specific targets, i.e. plants, there has been very little exploitation of general economic information except from periodical sources.

5. The general failure to perform full exploitation of covert material for general economic information is, I believe, the crux of the matter so far as OHR's interests are concerned. Because of the political climate in Communist China at the present time the validity of official claims and pronouncements has been seriously questioned. Reference (f), originated in this branch and addressed for action to FI, calls attention to the marked deterioration in the objectivity and usefulness of overt materials emanating from official sources in Communist China since the inauguration of the "Leap Forward" campaign. Because of this, I believe we shall become increasingly dependent on covert sources for accurate basic economic information. Therefore, I think we should not overlook any covert material which is not being fully exploited.

6. It is possible that there is considerable useful economic information from the [REDACTED] 25X1X7 material which does not find its way into either Army or Air Force reports. No one here could be sure, of course, unless afforded the opportunity to compare the reports of the respective

services with the full translation of the original material. However, it is worth pointing out that many of the translations showed evidence of extremely detailed and thorough interrogation and were usually far more bulky than any of the services' abstracted reports. Moreover, the

25X1X7 [REDACTED] provide one of the best sources of objective assessments of the technical problems facing the Chinese machine-building industry and the real capabilities of a number of individual plants.